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## Cities in Sacramento area may delay fees for developers to aid economy

By Loretta Kalb - [lkalb@sacbee.com](mailto:lkalb@sacbee.com)

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Several Sacramento-area cities stung by the real estate downturn are considering deferring developer fees as a way to stimulate the local economy.

Deferrals on fees charged to builders to help pay for major roads and sewers and address other impacts of development aren't likely to reduce the cost of commercial construction. And they likely won't affect home prices. But they are being tailored to encourage more residential and business construction.

Area civic leaders have a common desire, to reinvigorate local economies and create jobs.

"It's not just to see if we can get sticks and bricks up," Folsom Vice Mayor Steve Miklos said Monday. "It's to get people back to work."

The Folsom City Council tonight will consider deferring development fees for commercial projects and single-family homes for up to 18 months.

If the city approves the plan, that eases the way for the Hampton Inn to build its 146-room hotel. The Hampton Inn recently proposed spreading \$1 million in development fees over four quarterly installments, with interest, for its project at Bidwell Street and Highway 50, said David Miller, Folsom's community development director.

Otherwise, the company wants to delay the project, he said. That would mean a delay in revenues from the city's transient occupancy tax.

The city also has heard a plea for deferrals from the developer of a local subdivision, Miller said.

The residential portion of the Folsom proposal would, for example, delay payment of about \$14,000 in fees for a 1,625-square-foot home, until two years after the permit is issued or at final inspection.

The North State Building Industry Association, some of whose members are reeling from the real estate downturn, is leading the charge for fee deferrals.

The trade group has made its case in Roseville and Elk Grove in addition to Folsom, said Dennis M. Rogers, senior vice president for the North State BIA.

The BIA also has worked with the city of Sacramento and approached the city of Lincoln and Sacramento County.

"We're basically going to be going to everyone with the same proposals," Rogers said.

"Home builders are so risk averse to starting any new units, we felt that anything that can be done to encourage them to start construction would be good for the local economy" and for the industry, he said.

Like Folsom, Roseville and Elk Grove are moving quickly.

The Roseville City Council on April 16 will consider fee deferrals of \$30,000 a home in its West Roseville Specific Plan area, a site destined for 8,400 homes. If approved, the plan would take effect May 1 and phase out at the end of the year.

It's not the city's first foray into helping local business. Roseville has taken such measures to attract targeted industries, such as retail or manufacturing, for about 20 years, Assistant City Manager John Sprague said.

But the current proposal marks the first time Roseville has applied the concept to market-rate housing.

"It's really a result of the economic conditions" facing the single-family development industry, Sprague said.

In Folsom and Roseville, where the deferral plans are of limited duration, city officials say they aren't worried about delays in fees. Even with the delays, the money should be in place by the time it's needed to help pay for infrastructure, officials said.

"We're looking at a fairly limited time frame," Roseville's Sprague said. "We anticipate that the typical length of a deferral will be six months or less."

On April 23, the Elk Grove City Council is expected to vote on a plan to defer development fees for residential and commercial projects.

"I think a fee deferral is a way of saying we're still able to help stimulate the economy without reducing the fee and impacting infrastructure funding that we need," said Mayor Gary Davis, who supports fee deferrals for office development.

Steve Czarnecki, executive director of the Elk Grove Economic Development Corp., said anything the city can do "to signal the market that it's bending over backward to be more accommodating and flexible is positive. That is the message here."

A fee deferral proposal for the city of Sacramento is in its infancy, said Wendy Klock-Johnson, spokeswoman for the city's Development Services Department. Efforts by the city attorney, treasurer and Development Services Department staff should translate into a proposal for the City Council later this year, she said.

Miklos says Folsom's plan is a local version of the federal economic stimulus plan.

"If we can defer some of the fees that don't have an impact to the city until folks move in," Miklos said, "why can't we build sooner rather than later?"

"The benefit to the city is more properties on the tax rolls. The benefit to the builders is getting these people back to work."